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**1981/06/23**

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Department of State

INCOMING  
TELEGRAM

NOOKS REVIEW

- ☒ Oct A - Caption removed; transferred to O/FADRC
- ☐ Oct B - Transferred to O/FADRC with additional access controlled by S/S
- ☐ Oct C - Caption and custody retained by S/S

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NOOKS

Reviewed by: Elsie Kelly Jr.

Date: Aug 12 1989

PAGE 1  
ACTION NUMBER

051114 44202 01 00 07 234417

INFO ACT-PI ANG-88 1201 W

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0 0303457 JUN 81  
FM AMEMBASSY BEIJING  
TO SECRETARY WASHDC IMMEDIATE 3177

C O N F I D E N T I A L SECTION 1 OF 7 BEIJING 6299

NOOKS

STAUTS

F.O. 120451 000-3 - 4/23/81 (ROY, J. STAPLETON) OR-M  
TAGSI BEBR  
SUBJ: MATG-ZMAN MEMCON

DEPT STATE 144749

MEMORANDUM REPEATED FOR YOUR ACTION BEIJING 4202, SENT ACTION  
MAY 11 A JUNE 19,

UNITE

C O N F I D E N T I A L SECTION 01 OF 07 BEIJING 6299

NOOKS

FOR ASSISTANT SECRETARY HOLDINGS

F.O. 120451 000-3, 6/10/81 (ROY, J. STAPLETON) OR-M  
TAGSI OVTP, PHAIR, ALEVARDO M., JO.1 CM  
SUBJ: SECRETARY MAIRIA JUNE 19, 1981 MEETING WITH POC  
PRINTED 7M10 ZYYANG

1. (C - ENTIRE TEXT)

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DEPARTMENT OF STATE

IS/FPC/CDR TRIS Date: 12/5

☒ RELEASE  
☒ EXCISE  
☐ DENY  
☐ DELETE Non-Responsive Info  
☐ FOIA Exemptions

MR Cases Only:  
EO Citations

☐ CLASSIFY as  
☐ TS auth  
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PAGE 09

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2. THE FOLLOWING MEMCON OF THE SECRETARY'S MEETING WITH PRC PREMIER ZHANG ZIYANG AT 3:10 P.M. ON THURSDAY, JUNE 14, 1961 REQUIRES CLEARANCE BY THE SECRETARY, FOLLOWING WHICH IT SHOULD BE TRANSMITTED TO WASHINGTON WITH APPROPRIATE DISTRIBUTION CONTROLS.

3. PARTICIPANTS IN THE MEETING FOR THE U.S. WERE THE SECRETARY, ASSISTANT SECRETARY HOLDRIDGE, CHARGE D'AFFAIRES ROY, GENERAL WALTERS, MESSRS. LILLEY, ANNACOST AND GOLDBERG, AND MR. CHANG. (INTERPRETER). FOR THE CHINESE SIDE PRESENT WERE ZHANG ZIYANG, VICE FOREIGN MINISTER ZHANG WEIJIN, DIRECTOR HAN XU, DEPUTY DIRECTOR ZHU ZIYUAN, DEPUTY DIRECTOR LI CHAUYUAN, DEPUTY DIRECTOR TANG LONGJIN, INTERPRETER YANG JICHU, AND THREE NOTE-TAKERS.

4. DURING THE

WANG PREMIER ZHANG, IT IS A PRIVILEGE TO MEET YOU IN THIS LOVELY PLACE.

ZHANG: IT IS CALLED THE PURPLE VELVET PAVILION. WHEN PREMIER ZHANG ENLAI WAS WITH US, HE OFTEN MET FOREIGN GUESTS HERE. IN THE QING DYNASTY THIS WAS THE PLACE WHERE THE EMPEROR GAVE EXAMINATIONS TO SCHOLARS.

ZHANG: TO MILITARY OFFICERS.

WANG: I HOPE I WON'T HAVE THAT EXPERIENCE TODAY. I MIGHT GET A LOW GRADE.

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THAO: YOU HAVE BEEN HERE SEVERAL DAYS, AND THE WEATHER HAS BEEN VERY HOT.

WATG: IT IS FORTUNATE THAT WHILE THE WEATHER IS HOT, IT IS DRY, NOT DAMP.

THAO: IT IS WARMER THAN WASHINGTON?

WATG: SLIGHTLY, BUT NOT AS HUMID. WE WERE IN HONG KONG TWO DAYS AGO. THAT WAS VERY HUMID.

THAO: ONE GOOD THING ABOUT HONG KONG IS THE FACT THAT THEY HAVE NO MOSQUITOES. WE HAVE THEM HERE IN GREAT NUMBERS.

WATG: I DIDN'T ACTUALLY NOTICE THEM.

THAO: IT IS NOT LIKE CANTON HERE; THERE, MOSQUITO NETS ARE NEEDED.

THAO: DURING THIS MORNING, YOU MET WITH VICE CHAIRMAN PENG. THAT WAS A VERY IMPORTANT SESSION WHICH WAS THE CLIMAX OF YOUR VISIT. YOU ALSO MET YESTERDAY AND THE DAY BEFORE WITH FOREIGN MINISTER HUANG HUA, VICE PREMIER SO YIEN, AND VICE PREMIER GONG ZHAO. I HEAR THAT THESE SESSIONS WENT VERY WELL.

WATG: WE HAD EXTENSIVE DISCUSSIONS ON INTERNATIONAL, REGIONAL, AND BILATERAL ISSUES. OUR TALKS WERE HIGHLY SATISFACTORY, AND VERY CONSTRUCTIVE.

THAO: PERHAPS TODAY I MIGHT USE THE OPPORTUNITY TO OFFER YOUR EXCELLENCE ON DOMESTIC CONDITIONS HERE IN CHINA. HOWEVER, SINCE I RECENTLY WENT TO SOUTH ASIA, I WOULD LIKE TO COVER SEVERAL

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POINTS RELATED TO THOSE COUNTRIES.

WATG: THAT WOULD BE VERY INTERESTING.

THAO:

PERHAPS  
YOU ALREADY KNOW THAT WE WILL SOON HAVE THE  
SEVEN PLENUM OF THE 11TH PARTY CENTRAL  
COMMITTEE. THIS WILL BE A VERY IMPORTANT  
SESSION. ON THAT OCCASION, AN IMPORTANT

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ACTION 4000-00

REF ID: A6292 02 OF 07 9304427

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FM AMEMBASSY BEIJING  
TO SECRETARY WARMING IMMEDIATE 3170

C O N F I D E N T I A L SECTION 2 OF 7 BEIJING 0700

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STADTS

DOCUMENT ON CERTAIN HISTORICAL QUESTIONS  
WILL BE ADOPTED, AND THERE WILL BE SOME  
PERSONNEL CHANGES IN THE CENTRAL LEADER-  
SHIP.

PERHAPS

YOU ALSO KNOW THAT IN 1945 THE PARTY CENTRAL  
COMMITTEE ADOPTED A RESOLUTION ON SOME  
THIRTY-THREE HISTORICAL QUESTIONS SINCE THE  
ESTABLISHMENT OF THE PARTY. AT THAT TIME  
OUR PARTY HAD A HISTORY OF 24 YEARS. THIS  
DOCUMENT ENCOURAGED THE UNITY OF PARTY  
MEMBERS, AND CONTRIBUTED TO THE STRENGTH  
OF THE PARTY, WHICH ULTIMATELY ACHIEVED  
THE GREAT NATIONAL VICTORY. THE RESOLUTION  
TO BE ADOPTED AT THE SIXTH PLENUM WILL BE  
A SUMMARY COVERING THE PERIOD FROM THE  
FOUNDING OF OUR REPUBLIC TO THE PRESENT --  
THAT IS, 30 YEARS. THIS DOCUMENT WILL  
CERTAINLY EXPEDITE THE PROGRESS OF THE FOUR  
MODERNIZATION EFFORT. PERHAPS YOU KNOW.

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PAGE 02 --- OFFICE 40202-02 OF 07-234427

THAT SINCE 1977, AND ESPECIALLY SINCE 1979, WE HAVE DONE A LOT TO REVISE THE PATH WE HAVE TRAVERSED AND TO SUMMARIZE OUR EXPERIENCE AND THE LESSONS WE HAVE LEARNED. THE MAIN PURPOSE IS TO MAKE CLEAR THE DISTINCTION BETWEEN RIGHT AND WRONG, TO STICK TO THE RIGHT, AND TO CORRECT MISTAKES. THIS HAS BEEN A TREMENDOUS JOB, BUT IT IS NOW ALREADY FINISHED. AGAINST THIS BACKGROUND THE SIXTH PLENUM WILL BE HELD.

TALKING ABOUT LOOKING BACK ON HISTORY AND SUMMING UP OUR HISTORICAL EXPERIENCE, THE QUESTION IS ONE OF HOW ONE LOOKS AT OUR TOP OVER THE PAST 32 YEARS. DURING THIS PERIOD, WE HAVE MADE SOME MISTAKES, PARTICULARLY DURING THE CULTURAL REVOLUTION, WHICH AFFECTED THE ENTIRE NATION, BUT APART FROM THAT, WE HAVE MADE CONSIDERABLE PROGRESS. WE HAVE ESTABLISHED A SOCIALIST SYSTEM, AND WE HAVE LAUNCHED A MASSIVE ECONOMIC PROGRAM. WE HAVE CAPTURED OUT WATER FOR SERVING ON A LARGE SCALE IN THE COUNTRY. ONE MIGHT SAY THAT INDUSTRY HAS ALREADY ATTAINED A STEADY MAGNITUDE. THERE ARE AS MANY AS 400,000 INDUSTRIAL ENTERPRISES IN CHINA. THE VALUE OF FIXED ASSETS AND CIRCULATING CURRENCY OF THESE ENTERPRISES AMOUNTS TO 800 BILLION CHINESE YUAN. THERE ARE, OF COURSE, SOME SHORTCOMINGS SUCH AS FAULTS IN MANAGEMENT AND EFFICIENCY, WHICH IS NOT TOO HIGH.

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INCOMING  
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PAGE 03 BFIJIN 06202 02 OF 07 7304427

BUT WE HAVE ACHIEVED A STEADY BASIS FOR  
REVELOPMENT.

DURING THE LAST 32 YEARS THE CHINESE POPULATION HAS NEARLY DOUBLED. IN 1949 THERE WERE OVER 500 MILLION CHINESE. NOW WE HAVE NEARLY ONE BILLION. WE HAVE SUCCEEDED IN MEETING THE BASIC NEEDS OF OUR PEOPLE. NOW THEY HAVE ENOUGH TO EAT AND WEAR. HOWEVER, COMPARED TO THE DEVELOPED COUNTRIES AND TO THE MEDIAN INCOME AND RAPID GROWTH NATIONS, CHINA IS A POOR COUNTRY AND DEFINELY BACKWARD. BUT IT IS A VASTLY DIFFERENT COUNTRY THAN IT WAS 30 YEARS AGO. ONE OF THE MAJOR INDICATORS OF CHANGE IS THAT THE AVERAGE LIFE EXPECTANCY IS NOW 64 YEARS OLD. AS YOU KNOW, LIFE EXPECTANCY REFLECTS THE LEVEL OF ECONOMIC AND SOCIAL DEVELOPMENT OF A COUNTRY. PARTICULARLY, I WOULD POINT OUT THAT IN THE LAST 30 OR MORE YEARS WE HAVE ACHIEVED SUCCESS IN A COUNTRY OF ONE BILLION, OF WHICH 900 MILLION ARE PEASANTS, AND IN A COUNTRY WHERE ECONOMIC BASE WAS EXCEEDINGLY WEAK. FOR THE REITER PART OF THE LAST THREE DECADES, CHINA LABORED ON WORK UNDER DIFFICULT CONDITIONS. THE BLOCKADE WE FACED REQUIRED US TO RELY ON OURSELVES IN CAPITAL FORMATION, TECHNOLOGICAL DEVELOPMENT, AND BRINGING OUT THE TALENTS OF OUR PEOPLE. OF COURSE, IN THE 1940'S WHEN STALIN WAS ALIVE THE SOVIET UNION DID GIVE US SOME ASSISTANCE, BUT IT WAS NOT FREE; WE HAD TO PAY IT BACK. WHEN KHRUSHCHEV CAME TO POWER HE TOOK UP THE CONTRACTS, PULLED OUT THE TECHNICIANS, AND DEMANDED REPAYMENT. ALTHOUGH THIS,

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CAUSED US GREAT TROUBLE, WE EVENTUALLY  
GAVE EVERYTHING BACK.

I WOULD MENTION IN PARTICULAR THAT ONE-  
THING OF THE LAST THREE DECADES -- THAT IS

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PAGE 21  
ACTING AMBASSADOR

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FM AMEMBASSY BEIJING  
TO SECRETARY WASHDC IMMEDIATE 3174

C O N F I D E N T I A L SECTION 1 OF 7 BEIJING 0909

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9TAUTS

TEN YEARS -- WAS WASTED BECAUSE OF  
SOPHISTICATED CULTURAL REVOLUTION. LOOKING  
BACK, WE CAN SEE EVEN MORE CLEARLY WHAT A  
WASTED DECADE THAT WAS. I HAVE STUDIED  
THIS QUESTION AND FOUND THAT IT WAS PRECISELY  
DURING THAT DECADE THAT SOME OF THE LESS  
DEVELOPED COUNTRIES ACHIEVED SUCH REMARK-  
ABLE ECONOMIC PROGRESS. I HAVE COME INTO  
CONTACT, CONCERNING HOW TO LOOK AT THE LAST  
30 YEARS. WE THINK THAT DESPITE BLUNDERS,  
THE SUCCESSSES WERE THE PREDOMINANT FEATURE.  
THIS SHOWS THAT THE SOCIALIST SYSTEM CORRESPONDS  
TO ACTUAL CONDITIONS IN CHINA. WE  
HAVE BROUGHT INTO PLAY THE SUPERIORITY OF  
THE SOCIALIST SYSTEM. EFFORTS MUST CONTINUE  
TO BE MADE TO IMPROVE OUR SYSTEM. THERE  
ARE SOME MAJOR FLAWS. THEY NEED TO BE  
REFORMED. THERE ARE SOME POLICY MISTAKES  
WHICH NEED TO BE CORRECTED.

THIS IS OUR GENERAL VIEW. ON THE ONE HAND,  
WE SHOULD STICK TO THE SOCIALIST ROAD.  
UNBOLDLY AND WITH ENTHUSIASM AND ZELAND THOUGHT.

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NOV-15-1957



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PAGE 72

BEIJING 04202 03 OF 07 230440Z

EXERCISE THE DICTATORSHIP OF THE PROLETARIAT,  
AND ANSWER TO THE LEADERSHIP OF THE  
COMMUNIST PARTY. BUT ON THE OTHER HAND,  
REFORMS WILL HAVE TO BE CARRIED OUT STEP  
BY STEP. WHAT HAS ZHONGNAN SATO STILL WORKS  
FOR A GENERATION. IN ASSESSING OUR PERFORMANCE  
OVER THE PAST 30 YEARS, ONE SHOULD  
NEITHER CONFIRM NOR NEGATE WHAT HAS BEEN DONE.  
I.E., WE SHOULD NOT BECAUSE OF MISTAKES OR  
GLIMPSERS NEGATE OUR BASIC SOCIALIST SYSTEM  
OR CHINA'S BASIC POLICIES. WE SHOULD STICK  
TO THE FOUR PRINCIPLES WHILE MAKING EARNEST  
EFFORTS TO PERFECT OUR SOCIALIST SYSTEM  
AND OVERCOMING SHORTCOMINGS IN OUR POLITICAL  
SYSTEM.

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Department of State

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FM AMEMBASSY BEIJING  
TO SECRETARY WASHDC IMMEDIATE 3187

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# INCOMING TELEGRAM

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PAGE 47

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NOTE: IF NO FOLLOW UP EVENTS WERE CLOSELY, SINCE WE  
DEBATED CHINA'S ECONOMIC HEALTH,  
STABILITY, AND VITALITY AS A MATTER OF  
CONCERN TO THE UNITED STATES AS WELL. IN  
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PAGE 03 ----- REF ID: A6202 04 OF 07 230977

MANY ASPECTS, AS MY DISCUSSIONS WITH VICE  
PRESIDENT HU YIBO YESTERDAY CONFIRMED, WE  
ARE PUSHING PARALLEL TRACKS EVEN THOUGH WE  
ARE INHERENT DIFFERENT SYSTEMS. I KNOW WE HAVE  
BOTH LEARNED ONE OF THE BASIC LESSONS  
OF ECONOMICS, WHETHER ONE SPEAKS OF 18TH  
CENTURY ECONOMICS OR MARXIST ECONOMISTS  
THAT IS THAT NATIONS MUST NOT SPEND MORE THAN  
THEY TAKE IN. THAT IS A FORMULA FOR MORTGAGE  
IN THE FUTURE.

THAT: I HAVE HEARD THAT ACCORDING TO KEYNESIAN  
ECONOMIC THEORY ONE CAN SPEND MORE THAN ONE  
PAYS.

WATG: THAT IS NOW A DIFFERENT THEORY IN THE UNITED  
STATES. PRESIDENT REAGAN DOES NOT FOLLOW  
KEYNESIAN EITHER, BUT HE REMEMBERS  
BASIC ECONOMICS FROM 45-50 YEARS AGO.  
I THINK OUR NEW HOUSEHOLDS LIVE BY THE  
FUNDAMENTAL ECONOMIC PRECEPTS WHICH NATIONS  
MUST FOLLOW AS WELL. I HAD A LENGTHY DISCUS-  
SION WITH DAVID ROCKEFELLER AFTER HIS  
RECENT VISIT TO CHINA WITH THE TRILATERAL  
COMMISSION. HE EXPRESSED GREAT INTEREST IN  
CAPITAL FINANCING AND THOUGHT THAT HE AND  
SOME OF HIS BANKING FRIENDS COULD OFFER SOME  
CONSTRUCTIVE SUGGESTIONS. I DID GATHER  
YESTERDAY THAT PART OF YOUR REFORM  
PROGRAM INVOLVES GREATER DECENTRALIZATION.  
THAT INTERESTS ME BECAUSE WE ARE ALSO  
WORKING TO ACCOMPLISH THAT IN THE UNITED  
STATES. WE HAVE ONE MAJOR CONTRADICTION  
IN OUR OTHERWISE AUSTERE BUDGET,  
WHICH HAS BEEN REDUCED BY 75  
BILLION DOLLARS THAT IS A DRAMATIC 72

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BILLION DOLLAR INCREASE IN OUR OFFENSE  
SPENDING. WE HAVE FOUND THAT OVER THE LAST  
28 YEARS OUR SOCIAL PROGRAMS GREW FROM 20  
BILLION DURING THE ADMINISTRATION OF JOHN F. KENNEDY  
IN 1969 TO NEARLY 300 BILLION LAST YEAR.  
MANY OF THE PROGRAMS HAVE OUTLIVED THEIR  
ORIGINAL PURPOSE, BUT THEY HAVE REMAINED

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*Department of State*

# INCOMING TELEGRAM

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PAGE 01  
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1450 OCT-01 ANS-PC 1001

FM AMEMBASSY RMTING  
TO SECSTATE WASHDC IMMEDIATE 3101

C O N F I D E N T I A L SECTION 5 OF 7 BRITING 0292

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CONVENTION AND CONSTITUENCIES THIS  
ANY. HENCE, THEY CONTINUE TO GROW. WE  
ARE PURSUING A BROAD BASED ECONOMIC REFORM  
SOMEWHAT DIFFERENT FROM WHAT HAS TAKEN  
PLACE IN THE UNITED KINGDOM THREE YEARS  
AGO. SHE MADE THE MISTAKE OF TRYING TO  
ISOLATE FUNCTIONAL AREAS OF ACTIVITY,  
AND SHE WAS REPEATED ON EACH ISSUE BY THE  
PARLIAMENT AND THE PEOPLE AND IS IN SOME  
TROUBLE TODAY. FOR THAT REASON, WE ARE  
TRYING TO PROCEED ON A BROAD FRONT IN AN  
INTEGRATED MANNER TO GET THE BASIC  
IMPROVEMENTS IN OUR ECONOMY WHICH WE MUST  
HAVE.

MR. BREWSTER, I AM ANYTIME TO HEAR ABOUT  
YOUR TRAVELS. I BROUGHT VICE CHAIRMAN  
REAGAN A LETTER FROM VICE PRESIDENT NIEN,  
AND I HAVE BROUGHT YOU A LETTER FROM  
PRESIDENT REAGAN. I HAVE ALSO BEEN ASKED  
BY PRESIDENT REAGAN TO EXTEND TO YOU AN  
INVITATION TO VISIT THE UNITED STATES AT  
A MUTUALLY CONVENIENT DATE AT THE END

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OF THIS YEAR OR THE BEGINNING OF NEXT YEAR. WE WOULD BE HONORED TO RECEIVE YOU IF YOUR SCHEDULE PERMITS. WE CAN WORK OUT THE ARRANGEMENTS THROUGH DIPLOMATIC CHANNELS. I AM SURE THAT THE AMERICAN PEOPLE WOULD BE DELIGHTED TO WELCOME YOU.

YHAQ: I WOULD LIKE TO EXPRESS THANKS FOR PRESIDENT REAGAN'S LETTER AND FOR HIS INVITATION AS WELL. BECAUSE I HAVE A VERY CROWDED SCHEDULE THIS YEAR, PERHAPS I WILL NOT BE ABLE TO MAKE IT. BUT I AM LOOKING FORWARD TO VISITING WITH THE PRESIDENT AT A LATER DATE. SPECIFIC DATES CAN BE WORKED OUT THROUGH DIPLOMATIC CHANNELS. I WOULD LIKE TO TAKE THIS OPPORTUNITY TO RENEW THE INVITATION TO PRESIDENT REAGAN TO VISIT CHINA. THE CHINESE GOVERNMENT HAS ALREADY EXTENDED AN INVITATION. NOW, ON BEHALF OF ME (JIANPING), THE CHAIRMAN OF THE STANDING COMMITTEE OF THE NATIONAL PEOPLE'S CONGRESS, AND THE CHINESE GOVERNMENT, I WOULD LIKE TO REAFFIRM THAT INVITATION TO PRESIDENT REAGAN TO VISIT AT A CONVENIENT TIME. PLEASE ALSO CONVEY MY REGARDS TO THE PRESIDENT.

WATU: I SHALL BE HAPPY TO DO SO. I KNOW THE PRESIDENT WILL WELCOME YOUR INVITATION AND LOOKS FORWARD TO YOUR VISIT. I TELL YOU, THE PRESIDENT HAS A VERY HEAVY SCHEDULE AND HE HAS FALLEN BEHIND BECAUSE OF THE RECENT ATTEMPT ON HIS LIFE.

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WATG: WE ARE DRESSED FOR TIME AND MUST STOP. LET  
ME MAKE ONE COMMENT ON PAKISTAN. YOU WILL  
HAVE NOTED IN THE PRESS THE ANNOUNCEMENT  
THAT MY UNDERSECRETARY FOR SECURITY ASSISTANCE,  
JIM BURNLEY, HAS WORKED OUT A FRAMEWORK AND  
THE DETAILS OF AN AGREEMENT FOR A MULTI-BILLION  
DOLLAR ASSISTANCE PROGRAM FOR PAKISTAN. THIS  
PUBLICITY ON THE ARRANGEMENT HAS COME UP MORE  
SOONER THAN I WOULD HAVE WISHED THIS EARLY.

THAT IS IT FOR ONLY 30 BILLION?

WATG: OVER 30 BILLION. ONLY 3 BILLION OVER FIVE YEARS  
IS A HIGH FIGURE, AND IS UNPRECEDENTED. THIS  
REPRESENTS ROUGHLY THE SAME LEVEL OF AID AS  
WE PROVIDE TO EGYPT. I WANTED TO ALERT YOU  
TO TWO ASPECTS OF THIS. FIRST, THERE WILL  
BE LOTS OF CONTROVERSY IN THE CONGRESS AS  
VARIOUS MEMBERS ARGUE THAT THIS IS TOO  
MUCH AND THAT IT HAS NOT BEEN CAREFULLY  
COORDINATED. WE WILL WORK ON THIS PROGRAM.  
SECOND, THE DANGER OF IMMEDIATE SOVIET  
PRESSURES ON PAKISTAN MAY BE HIGHER THAN  
EVER.

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PAGE 03

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THE MEETING CONCLUDED AT 5:10 P.M.  
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**PARTIAL TRANSCRIPTION FOLLOWS**

**PARTIAL TRANSCRIPTION FOLLOWS**

PAGE 01

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[HEADER INFO]

CONFIDENTIAL

FOR ASSISTANT SECRETARY HOLDRIDGE

SUBJECT: SECRETARY HAIG'S JUNE 16, 1981 MEETING WITH PRC  
PREMIER ZHAO ZIYANG

1. (C - ENTIRE TEXT)

2. THE FOLLOWING MEMCON OF THE SECRETARY'S MEETING WITH PRC PREMIER ZHAO ZIYANG AT 3:30 PM ON THUSDAY, JUNE 16, 1981 REQUIRES CLEARANCE BY THE SECRETARY, FOLLOWING WHICH IT SHOULD BE TRANSMITTED TO WASHINGTON WITH APPROPRIATE DISTRIBUTION CONTROLS.

3. PARTICIPANTS IN THE MEETING FOR THE U.S. WERE THE SECRETARY, ASSISTANT SECRETARY HOLDRIDGE, CHARGE D'AFFAIRES ROY, GENERAL WALTERS, MESSRS. LILLEY, ARMACOST AND GOLDBERG, AND MS. CHANGE, (INTERPRETER), FOR THE CHINESE SIDE: PREMIER ZHAO ZIYANG, VICE FOREIGN MINISTER ZHANG WEIJIN, DIRECTOR HAN XU, DEPUTY DIRECTOR ZHU QIZHEN, DEPUTY DIRECTOR LI [ILLEGIBLE], DEPUTY DIRECTOR TANG LONGRIN, INTERPRETER YANG [ILLEGIBLE], AND THREE NOTETAKERS.

4. BEGIN TEXT:

HAIG: PREMIER ZHAO, IT IS A PRIVILEGE TO MEET YOU IN THIS LOVELY PLACE.

ZHAO: IT IS CALLED THE PURPLE VELVET PAVILION. WHEN PREMIER ZHOU ENLAI WAS WITH US, HE OFTEN MET FOREIGN GUESTS HERE. IN THE QYNG DYNASTY THIS WAS THE PLACE WHERE THE EMPEROR GAVE EXAMINATIONS TO SCHOLARS.

ZHANG WENJIN: TO MILITARY OFFICERS

HAIG: I HOPE I WON'T HAV THAT EXPERIENCE TODAY. I MIGHT GET LOW GRADE.

ZHAO: YOU HAVE BEEN HERE SEVERAL DAYS, AND THE WEATHER HAS BEEN VERY HOT.

HAIG: IT IS FORTUNATE THAT WHILE THE WEATHER IS HOT, IT IS DRY, NOT DAMP.

ZHAO: IT IS WARMER THAN WASHINGTON?

HAIG: SLIGHTLY, BUT NOT AS HUMID. WE WERE IN HONG KONG TWO DAYS AGO. THAT WAS VERY HUMID.

ZHAO: ONE GOOD THING ABOUT HONG KONG IS THE FACT THAT THEY HAVE NO MOSQUITOES. WE HAVE THEM HERE IN GREAT NUMBERS.

HAIG: I DIDN'T ACTUALLY NOTICE THEM.

ZHAO: IT IS NOT LIKE CANTON HERE; THERE, MOSQUITO NETS ARE NEEDED.

ZHAO: DURING THIS MORNING, YOU MET WITH VICE CHAIRMAN DENG. THAT WAS A VERY IMPORTANT SESSION WHICH WAS THE CLIMAX OF YOUR VISIT. YOU ALSO MET YESTERDAY AND THE DAY BEFORE WITH FOREIGN MINISTER HUANG HUA, VICE PREMIER BO YIBO, AND VICE PREMIER GENG BIAO; I HEAR THAT THESE SESSIONS WENT VERY WELL.

HAIG: WE HAD EXTENSIVE DISCUSSIONS ON INTERNATIONAL, REGIONAL, AND BILATERAL ISSUES. OUR TALKS WERE HIGHLY SATISFACTORY, AND VERY CONSTRUCTIVE.

ZHAO: PERHAPS TODAY I MIGHT USE THE OPPORTUNITY TO BRIEF YOUR EXCELLENCY ON DOMESTIC CONDITIONS HERE IN CHINA, MOREOVER, SINCE I RECENTLY WENT TO SOUTH ASIA, I WOULD LIKE TO COVER SEVERAL

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POINTS RELATED TO THOSE COUNTRIES.

HAIG: THAT WOULD BE VERY INTERESTING.

ZHAO: [TWO LINES EXCISED]; PERHAPS  
YOU ALREADY KNOW THAT WE WILL SOON HAVE THE  
SIXTH PLENUM OF THE 11TH PARTY CENTRAL  
COMMITTEE. THIS WILL BE A VERY IMPORTANT  
SESSION, ON THAT OCCASION, AN IMPORTANT



[HEADER INFO]

DOCUMENT ON CERTAIN HISTORICAL QUESTIONS  
WILL BE ADOPTED, AND THERE WILL BE SOME  
PERSONNEL CHANGES IN THE CENTRAL LEADER-  
SHIP. [FIVE LINES EXCISED] PERHAPS  
YOU ALSO KNOW THAT IN 1945 THE PARTY CENTRAL  
COMMITTEE ADOPTED A RESOLUTION ON SOME  
IMPORTANT HISTORICAL QUESTIONS SINCE THE  
ESTABLISHMENT OF THE PARTY. AT THAT TIME  
OUR PARTY HAD A HISTORY OF 24 YEARS. THIS  
DOCUMENT ENCOURAGED THE UNITY OF PARTY  
MEMBERS, AND CONTRIBUTED TO THE STRENGTH  
OF THE PARTY, WHICH ULTIMATELY ACHIEVED  
THE GREAT NATIONAL VICTORY. THE RESOLUTION  
TO BE ADOPTED AT THE SIXTH PLENUM WILL BE  
A SUMMARY COVERING THE PERIOD FROM THE  
FOUNDING OF OUR REPUBLIC TO THE PRESENT --  
THAT IS, 32 YEARS. THIS DOCUMENT WILL  
CERTAINLY EXPEDITE THE PROGRESS OF THE FOUR  
MODERNIZATIONS EFFORT. PERHAPS YOU KNOW

THAT SINCE 1977, AND ESPECIALLY SINCE 1979, WE HAVE DONE A LOT TO REVIEW THE PATH WE HAVE TRAVERSED AND TO SUMMARIZE OUR EXPERIENCE AND THE LESSONS WE HAVE LEARNED. THE MAIN PURPOSE IS TO MAKE CLEAR THE DISTINCTION BETWEEN RIGHT AND WRONG, TO STICK TO THE RIGHT, AND TO CORRECT MISTAKES. THIS HAS BEEN A TREMENDOUS JOB, BUT IT IS NOW ALREADY FINISHED. AGAINST THIS BACKDROP THE SIXTH PLENUM WILL BE HELD.

TALKING ABOUT LOOKING BACK ON HISTORY AND SUMMING UP OUR HISTORICAL EXPERIENCE, THE QUESTIONS IS ONE OF HOW ONE LOOKS AT OUR JOB OVER THE PAST 32 YEARS. DURING THIS PERIOD, WE HAVE MADE SOME MISTAKES, PARTICULARLY DURING THE CULTURAL REVOLUTION, WHICH AFFECTED THE ENTIRE NATION. BUT APART FROM THAT, WE HAVE MADE CONSIDERABLE PROGRESS. WE HAVE ESTABLISHED A SOCIALIST SYSTEM, AND WE HAVE LAUNCHED A MASSIVE ECONOMIC PROGRAM. WE HAVE CARRIED OUT WATER CONSERVANCY ON A LARGE SCALE IN THE COUNTRY-SIDE. ONE MIGHT SAY THAT INDUSTRY HAS ALREADY ATTAINED A SIZEABLE MAGNITUDE. THERE ARE AS MANY AS 400,000 INDUSTRIAL ENTERPRISES IN CHINA. THE VALUE OF FIXED ASSETS AND CIRCULATING CURRENCY OF THESE ENTERPRISES AMOUNTS TO [ILLEGIBLE] BILLION CHINESE YUAN. THERE ARE, OF COURSE, SOME SHORTCOMINGS SUCH AS FAULTS IN MANAGEMENT AND EFFICIENCY, WHICH IS NOT TOO HIGH,

BUT WE HAVE ACHIEVED A SIZEABLE BASIS FOR DEVELOPMENT.

DURING THE LAST 32 YEARS THE CHINESE POPULATION HAS NEARLY DOUBLED. IN 1949 THERE WERE OVER 500 MILLION CHINESE. NOW WE HAVE NEARLY ONE BILLION. WE HAVE SUCCEEDED IN MEETING THE BASIC NEEDS OF OUR PEOPLE. NOW THEY HAVE ENOUGH TO EAT AND WEAR. HOWEVER, COMPARED TO THE DEVELOPED COUNTRIES AND TO THE MEDIAN INCOME AND RAPID GROWTH NATIONS, CHINA IS A POOR COUNTRY AND DECIDEDLY BACKWARD. BUT IT IS A VASTLY DIFFERENT COUNTRY THAN IT WAS 30 YEARS AGO. ONE OF THE MAJOR INDICATIONS OF CHANGE IS THAT THE AVERAGE LIFE EXPECTANCY IS NOW 64 YEARS OLD. AS YOU KNOW, LIFE EXPECTANCY REFLECTS THE LEVEL OF ECONOMIC AND SOCIAL DEVELOPMENT OF A COUNTRY. PARTICULARLY, I WOULD POINT OUT THAT IN THE LAST 30 OR MORE YEARS WE HAVE ACHIEVED SUCCESS IN A COUNTRY OF ONE BILLION, OF WHICH 800 MILLION ARE PEASANTS, AND IN A COUNTRY WHOSE ECONOMIC BASE WAS EXCEEDINGLY WEAK. FOR THE BETTER PART OF THE LAST THREE DECADES, CHINA CARRIED ON WORK UNDER DIFFICULT CONDITIONS. THE BLOCKADE WE FACED REQUIRED US TO RELY ON OURSELVES IN CAPITAL FORMATION, TECHNOLOGICAL DEVELOPMENT, AND BRINGING OUT THE TALENTS OF OUR PEOPLE. OF COURSE, IN THE 1950'S WHEN STALIN WAS ALIVE THE SOVIET UNION DID GIVE US SOME ASSISTANCE, BUT IT WAS NOT FREE; WE HAD TO PAY IT BACK. WHEN KRUSHCHEV CAME TO POWER HE TORE UP THE CONTRACTS, PULLED OUT THE TECHNICIANS, AND DEMANDED REPAYMENT. ALTHOUGH THIS

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CAUSED US GREAT TROUBLE, WE EVENTUALLY  
PAID EVERYTHING BACK

I WOULD MENTION IN PARTICULAR THAT ONE-  
THIRD OF THE LAST THREE DECADES -- THAT IS

TEN YEARS -- WAS WASTED BECAUSE OF SO-CALLED CULTURAL REVOLUTION. BOOKING BACK, WE CAN SEE EVEN MORE CLEARLY WHAT A WASTED DECADE THAT WAS. I HAVE STUDIED THIS QUESTION AND FOUND THAT IT WAS PRECISELY DURING THAT DECADE THAT SOME OF THE LESS DEVELOPED COUNTRIES ACHIEVED SUCH REMARK-ABLE ECONOMIC PROGRESS. I HAVE GONE INTO DETAIL CONCERNING HOW TO LOOK AT THE LAST 32 YEARS. WE THINK THAT DESPITE BLUNDERS, THE SUCCESSES WERE THE PREDOMINANT FEATURE. THIS SHOWS THAT THE SOCIALIST SYSTEM CORRESPONDS TO ACTUAL CONDITIONS IN CHINA. WE HAVE BROUGHT INTO PLAY THE SUPERIORITY OF THE SOCIALISTS SYSTEM. EFFORTS MUST CONTINUE TO BE MADE TO IMPROVE OUR SYSTEM. THERE ARE SOME MAJOR FLAWS. THEY NEED TO BE REFORMED. THERE ARE SOME POLICY MISTAKES WHICH NEED TO BE CORRECTED.

THIS IS OUR GENERAL VIEW. ON THE ONE HAND, WE SHOULD STICK TO THE SOCIALIST ROAD, UPHOLD MARXISM-LENINISM-MAO ZEDONG THOUGHT,

EXERCISE THE DICTATORSHIP OF THE PROLETARIAT, AND ADHERE TO THE LEADERSHIP OF THE COMMUNIST PARTY. BUT ON THE OTHER HAND, REFORMS WILL HAVE TO BE CARRIED OUT STEP BY STEP. WHAT MAO ZEDONG SAID STILL WORKS FOR A GENERATION. IN ASSESSING OUR PERFORMANCE OVER THE PAST 32 YEARS, ONE SHOULD NEITHER CONFIRM NOR NEGATE WHAT HAS BEEN DONE, I.E., WE SHOULD NOT BECAUSE OF MISTAKES OR BLUNDERS NEGATE OUR BASIC SOCIALIST SYSTEM OR CHINA'S BASIC POLICIES. WE SHOULD STICK TO THE FOUR PRINCIPLES WHILE MAKING EARNEST EFFORTS TO PERFECT OUR SOCIALIST SYSTEM AND OVERCOMING SHORTCOMINGS IN OUR POLITICAL SYSTEM.

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[MOST OF PAGE EXCISED]

HAIG: WE DO FOLLOW EVENTS HERE CLOSELY, SINCE WE  
REGARD CHINA'S ECONOMIC HEALTH,  
STABILITY, AND VITALITY AS A MATTER OF  
CONCERN TO THE UNITED STATES AS WELL. IN

MANY RESPECTS, AS MY DISCUSSIONS WITH VICE PREMIER BO YIBO YESTERDAY CONFIRMED, WE ARE PURSUING PARALLEL TRACKS EVEN THOUGH WE ARE UNDER DIFFERENT SYSTEMS. I KNOW WE HAVE BOTH LEARNED ONE OF THE BASIC LESSONS OF ECONOMICS, WHETHER ONE SPEAKS OF 18TH CENTURY ECONOMICS OR MARXIST ECONOMICS: THAT IS THAT NATIONS MUST NOT SPEND MORE THAN THEY TAKE IN. THAT IS A FORMULA FOR MORTGAG-IN[G] THE FUTURE.

ZHAO: I HAVE HEARD THAT ACCORDING TO KEYNESIAN ECONOMIC THEORY ONE CAN SPEND MORE THAN ONE EARN.

HAIG: THAT IS NOW A DEFUNCT THEORY IN THE UNITED STATES. PRESIDENT REAGAN DOES NOT FOLLOW FRIEDMAN EITHER, BUT HE REMEMBERS BASIC ECONOMICS FROM 40-50 YEARS AGO. I THINK OUR OWN HOUSEHOLDS LIVE BY THE FUNDAMENTAL ECONOMIC PRECEPTS WHICH NATIONS MUST FOLLOW AS WELL. I HAD A LENGTHY DISCUSSION WITH DAVID ROCKEFELLER AFTER HIS RECENT VISIT IN CHINA WITH THE TRILATERAL COMMISSION. HE EXPRESSED GREAT INTEREST IN CAPITAL FINANCING AND THOUGHT THAT HE AND SOME OF HIS RANKING FRIENDS COULD OFFER SOME CONSTRUCTIVE SUGGESTIONS. I DID GATHER YESTERDAY THAT PART OF YOUR REFORM PROGRAM INVOLVES GREATER DECENTRALIZATION. THAT INTERESTS ME BECAUSE WE ARE ALSO SEEKING TO ACCOMPLISH THAT IN THE UNITED STATES. WE HAE ONE MAJOR CONTRADICTION IN OUR OTHERWISE AUSTERE BUDGET, WHICH HAS BEEN REDUCED BY 50 [?] BILLION DOLLARS; THAT IS A DRAMATIC 32 [?]

BILLION DOLLAR INCREASE IN OUR DEFENSE  
SPENDING. WE HAVE FOUND THAT OVER THE LAST  
20 YEARS OUR SOCIAL PROGRAMS GREW FROM 29  
BILLION DURING THE ADMINISTRATION OF JOHN KENNEDY  
IN 1962 TO NEARLY 300 BILLION LAST YEAR.  
MANY OF THE PROGRAMS HAE OUTLIVED THEIR  
ORIGINAL PURPOSE, BUT THEY HAVE RETAINED

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MOMENTUM AND CONSTITUENCIES THEIR OWN [SIC], HENCE, THEY CONTINUE TO GROW. WE ARE PURSUING A BROAD BASED ECONOMIC REFORM SOMEWHAT DIFFERENT FROM WHAT MRS. THATCHER TRIED IN THE UNITED KINGDOM THREE YEARS AGO. SHE MADE THE MISTAKE OF TRYING TO ISOLATE FUNCTIONAL AREAS OF AUSTERITY, AND SHE WAS DEFEATED ON EACH ISSUE BY THE PARLIAMENT AND THE PEOPLE AND IS IN SOME TROUBLE TODAY. FOR THAT REASON, WE ARE TRYING TO PROCEED ON A BROAD FRONT IN AN INTEGRATED MANNER TO GET THE BASIC IMPROVEMENTS IN OUR ECONOMY WHICH WE MUST HAVE.

MR. PREMIER, I AM ANXIOUS TO HEAR ABOUT YOUR TRAVELS. I BROUGHT VICE CHAIRMAN DENG LETTER FROM VICE PRESIDENT BUSH, AND I HAVE BROUGHT YOU A LETTER FROM PRESIDENT REAGAN. I HAVE ALSO BEEN ASKED BY PRESIDENT REAGAN TO EXTEND TO YOU AN INVITATION TO VISIT THE UNITED STATES AT A MUTUALLY CONVENIENT DATE AT THE END

OF THIS YEAR OR THE BEGINNING OF NEXT YEAR. WE WOULD BE HONORED TO RECEIVE YOU IF YOUR SCHEDULE PERMITS. WE CAN WORK OUT THE ARRANGEMENTS THROUGH DIPLOMATIC CHANNELS. I KNOW THAT THE AMERICAN PEOPLE WOULD BE DELIGHTED TO WELCOME YOU.

ZHAO: I WOULD LIKE TO EXPRESS THANKS FOR PRESIDENT REAGAN'S LETTER AND FOR HIS INVITATION AS WELL. BECAUSE I HAVE A VERY CROW[D]ED SCHEDULE THIS YEAR, PERHAPS I WILL NOT BE ABLE TO MAKE IT. BUT I AM LOOKING FORWARD TO VISITING WITH THE PRESIDENT AT A LATER DATE. SPECIFIC DATES CAN BE WORKED OUT THROUGH DIPLOMATIC CHANNELS. IW WOULD LIKE TO TAKE THIS OPPORTUNITY TO RENEW THE INVITATION TO PRESIDENT REAGAN TO VISIT CHINA. THE CHINESE GOVERNMENT HAS ALREADY EXTENDED AN INVITATION. NOW, ON BEHALF OF YE JIANYING, THE CHAIRMAN OF THE STANDING COMMITTEE OF THE NATIONAL PEOPLE'S CONGRESS, AND THE CHINESE GOVERNMENT, I WOULD LIKE TO REAFFIRM THAT INVITATION TO PRESIDENT REAGAN TO VISIT AT A CONVENIENT TIME. PLEASE ALSO CONVEY MY REGARDS TO THE PRESIDENT.

HAIG: I SHALL BE HAPPY TO DO SO. I KNOW THE PRESIDENT WILL WELCOME YOUR INVITATION AND LOOKS FORWARD TO YOUR VISIT. LIKE YOU, THE PRESIDENT HAS A VERY HEAVY SCHEDULE AND HE HAS FALLEN BEHIND BECAUSE OF THE RECENT ATTEMPT ON HIS LIFE.

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ZHAO:

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[TWO LINES EXCISED]

HAIG: WE ARE PRESSED FOR TIME AND MUST STOP. LET ME MAKE ONE COMMENT ON PAKISTAN. YOU WILL HAVE NOTED IN THE PRESS THE ANNOUNCEMENT THAT MY UNDERSECRETARY FOR SECURITY ASSISTANCE, JIM BUCKLEY, HAS WORKED OUT A FRAMEWORK AND THE DETAILS OF AN AGREEMENT FOR A MULTI-BILLION DOLLAR ASSISTANCE PROGRAM FOR PAKISTAN. THIS PUBLICITY ON THE ARRANGEMENT HAS COME UP MORE LOUDLY THAN I WOULD HAVE WISHED THIS EARLY.

ZHAO: IS IT FOR DOLS 30 BILLION [SIC]?

HAIG: OVER DOLS 3 BILLION. DOLS 3 BILLION OVER FIVE YEARS IS A HIGH FIGURE, AND IS UNPRECEDENTED. THIS REPRESENTS ROUGHLY THE SAME LEVEL OF AID AS WE PROVIDE TO EGYPT. I WANTED TO ALERT YOU TO TWO ASPECTS OF THIS. FIRST, THERE WILL BE LOTS OF CONTROVERSY IN THE CONGRESS AS VARIOUS MEMBERS ARGUE THAT HIS IS TOO MUCH AND THAT IT HAS NOT BEEN CAREFULLY COORDINATED. WE WILL WORK ON THIS PROGRAM. SECOND, THE DANGER OF IMMEDIATE SOVIET PRESSURES ON PAKISTAN MAY BE HIGHER THAN EVER. [REMAINDER OF DOCUMENT TEXT ON PAGE EXCISED]

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[PARAGRAPH EXCISED]

THE MEETING CONCLUDED AT 5:00 P.M.  
ROY